Chart 7: How chain drug stores displayed select major women's fragrance brands during Christmas

(% of stores using these specific types of displays)

Brand	Endcap	Counter	Island or free-standing
Glorious Perfume	9.7%	6.5%	67.7%
Jungle Gardenia	9.6	9.6	57.7
Enjoli	13.1	12.6	52.8
Deborah's ScentSational Scents	6.5	28.3	52.2
Glorious Eau de Toilette	25.8	10.1	50.6
Xia Xiang	16.0	24.5	48.9
Lady Stetson	16.2	12.8	48.5
Primo	16.2	16.2	47.7
Chantilly	16.0	15.6	47.5
Jontue	21.1	13.2	47.4
Charlie	27.2	12.7	46.3
Forever Krystle	19.2	17.0	45.4
Le Jardin de Max Factor	20.1	17.4	45.2
Scoundrel	19.5	15.4	44.7
Intimate	23.9	13.6	44.3
Vanderbilt	22.9	12.7	44.1
Aviance	16.6	19.2	41.1

Source: *Drug Store News*/Spar Marketing Services

AGRANCE
AGRANCE

This Austin Drug unit displays fragrances on glass shelving, with occasional use of a freestanding display.

DrSN-Spar fragrance study

Continued from page 16

had a very small incidence of expanded facings on shelf.

Buyers who had a preliminary look at this chart said chains should not have more than 20 percent of their stores giving Vanderbilt expanded shelf space at Christmas because it is too hard to get turns from off the shelf.

They also said that an upscale brand like Vanderbilt probably gets the most impact when it's merchandised on a freestanding display.

As a new mass prestige women's fragrance last Christmas, Glorious Perfume, out of all the brands audited, probably got the best type of merchandising displays from chain drug stores (see charts 7 and 9).

Nearly 68 percent of the stores in our survey gave Glorious what buyers call the proper "atmosphere" for attracting shopper attention: an freestanding island floor display.

Jungle Gardenia got the next best type of merchandising treatment and Deborah's alternative designer line of ScentSational scents also was given good exposure.

Chart 8: How chain drug stores displayed select major men's fragrances during Christmas

(% of stores using these specific types of displays)

Brand	Endcap	Counter	Island or free-standing
Night Spice	21.4%	7.7%	49.6%
Dallas	17.7	11.5	43.8
Stetson	26.8	9.3	43.2
Adidas	15.9	10.3	42.1
Carrington	17.6	14.8	39.8
Pierre Cardin	23.7	13.0	39.5
Jovan Musk	21.6	2.7	39.2
English Leather Cologne	23.7	11.6	38.6
Chaps Original	26.4	9.6	37.6
Iron	22.4	17.3	35.9
Chaps Musk	30.6	7.5	35.4
Pierre Cardin Musk	25.6	14.6	35.4
Brut Cologne	28.4	11.5	31.1
Old Spice Cologne	45.4	9.8	24.9

Source: *Drug Store News*/Spar Marketing Services

When buyers evaluate how well these brands performed in their stores last Christmas, they should keep in mind the type of merchandising exposure they were given.

Glorious, for example, should have had relatively good turns last Christmas because of its exposure.

Aviance might not have turned as well because only 41 percent of the stores in our survey chose to give it an island display, and 30 percent of the stores merchandised Aviance by expanding facings on the shelf. It's harder, of course, to turn from the shelf than from an island display.

As charts 8 and 10 show, of the men's brands audited, the average chain drug store gave the most efficient merchandaing display space to Night Spice and Dallas, two new entries in the men's fragrance category.

Brut Cologne may have been handicapped, because 37 percent of the stores in the survey expanded its facings on the shelf, a strategy that generally yields the least dramatic increase in turns.

Only 31 percent of the stores in our survey gave Brut a freestanding island display, and that low access to prime retail space may also have hurt the brand at Christmas.

Forty-five percent of the stores gave Old Spice an endcap at Christmas, a strategy many buyers say makes sense because Old Spice is also considered a toiletry product and customers would feel comfortable buying it from an end.

Chart 9: Percentage of chain drug stores expanding shelf space for select women's brands last Christmas

Chantilly	32.0%
Lady Stetson	31.1
Aviance	29.8
Primo	29.5
Enjoli	28.6
Le Jardin de Max Factor	28.3
Forever Krystle	27.9
Intimate	27.8
Vanderbilt	27.3
Jontue	27.2
Scoundrel	26.0
Charlie	25.4
Jungle Gardenia	25.0
Deborah's ScentSational Scents	21.7
Glorious Eau de Toilette	19.1
Xia Xiang	17.0
Glorious Perfume	16.1

Source: *Drug Store News*/Spar Marketing Services

Chart 10: Percentage of chain drug stores expanding shelf space for select men's brands last Christmas

Brut Cologne	37.2%
Carrington	36.4
Chaps Original	35.5
Chaps Musk	33.3
Jovan Musk	33.3
English Leather Cologne	33.3
Stetson	32.7
Old Spice Cologne	32.7
Adidas	31.7
Iron	31.4
Dallas	31.3
Pierre Cardin Original	28.2
Pierre Cardin Musk	28.0
Night Spice	23.1

Source: *Drug Store News*/Spar Marketing Services

Timing is everything

The average chain drug store was late in getting its Christmas displays up last year.

As Chart 11 shows, Only 17 percent of the stores in our study had their holiday displays up by mid-October, and the bulk of the stores, 73 percent, didn't have them up until the week of Nov. 7th.

Buyers say such lateness hurts the industry, both because early sales are lost and because the average chain drug store loses a chance to create the ideal "atmosphere or environment" for encouraging fragrance purchases.

Just half the chain drug stores in our survey used POP to support at least one display in their stores last Christmas.

Most buyers who reviewed this study called that performance "deplorable." "You can't go overboard and have POP all over the store," said one buyer, "but if you have a fragrance advertised at Christmas, as we all do, then at least that ad price should be highlighted on the display.

"And a display without pic-

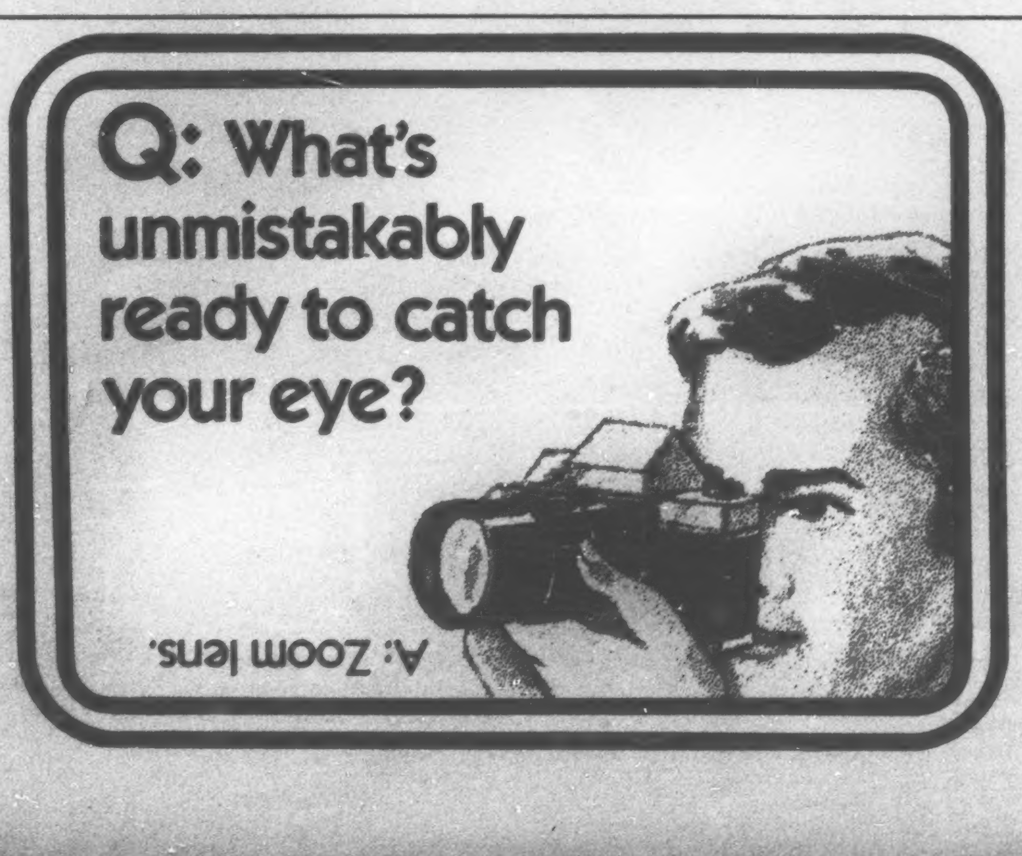
Continued on page 20

Chart 11: Time by which the average chain drug store erected its Christmas Fragrance displays*

Week in which Christmas displays were up	% of stores with displays up at this time
Oct. 3, 1987	0.7%
Oct. 10	10.6
Oct. 17	17.3
Oct. 24	23.1
Oct. 31	34.1
Nov. 7	72.5
Nov. 14	87.5
Nov. 21	100.0

*Based on 325 stores, 81% of all stores in the Spar audit.

Source: *Drug Store News*/Spar Marketing Services


Q: What's unmistakably ready to catch your eye?
A: Zoom lens.

DrSN-Spar fragrance study

Continued from page 18

tures or without art of some kind will never sell well."

Several other buyers deplored the lack of "creativity" in the average chain drug store at Christmas, and said the situation will have to change or "one day, most of these chains aren't going to be around any more."

Sixty-six percent of all the stores audited in this survey merchandised at least some of the tracked brands under glass last Christmas.

Buyers were aware of this problem, but were hard-pressed to provide an answer. Some buyers felt their stores had no choice but to put the better brands under glass to minimize shrink. Others felt if the product was going to go under glass, out of the range of a service clerk who could quickly respond to customers, then there was "no sense in stocking that brand at all, because it won't sell enough to justify its space."

The best that buyers could recommend was that chains spend more time training clerks to service the fragrance shopper at Christmas. For self-service chains like Revco and SupeRx, this might be difficult, but most buyers felt it could pay off in increased fragrance sales.

To help readers determine if they are maximizing the strengths of specfic fragrance brands in your stores, *Drug Store News* used the Spar data and current market research estimates of drugstore dollar sales share to develop a correlation between the sales share for selected brands and Christmas display space allocations.

We used recent market research estimates of dollar sales share and Spar's measurements of the total footage for all women's fragrances (Chart 14) and all men's fragrances (Chart 15) in our 415-store survey to develop a ratio between dollar sales share and specific brand space allocations at Christmas.

We reasoned that if there is a 1-to-1, or 100 percent, correlation between dollar sales share and space, then the average chain drug store will have maximized its merchandising of the brand we're measuring.

In the correlation is higher than 100 percent, then the average drug store is getting exceptionally good turns on that brand and might be able to capture even more sales if that brand is given additional space.

With a correlation higher than 100 percent, it is also possible that the average store may be sacrificing potential incremental sales for the sake of higher turns or higher productivity per each square foot of space.

That may be a good strategy. But here, at least, readers can see which brands might deserve additional space at Christmas, and which brands may be under-productive.

If the correlation between dollar sales market share and Christmas display space allocations is lower than 100 percent, that brand is getting more space than its sales deserve, or possibly the brand is getting lost because the merchandising is poor and is not getting attention it deserves.

Retailers also consider other factors in allocating space, such as whether a brand's sales are guaranteed.

Chart 12: What chain drug stores are and aren't doing with POP

(For all brands surveyed)

Percentage of stores with at least one point-of-purchase display	**50.1%**

Source: *Drug Store News*/Spar Marketing Services

Methodology of the study

The *Drug Store News* Fragrance Display Audit was implemented by Spar Marketing Services, an Eden Prairie, Minn.,-based organization that specializes in collecting merchandising data for packaged good manufacturers.

Through its national field organization of over 500 people, Spar monitors brand and category activity in over 4,000 food, drug, and mass merchandise stores in 107 markets weekly.

Spar specializes in measuring and analysing off-shelf display activities, on-shelf presentations, new item introductions and competitive product tracking.

For this first-of-its-kind *Drug Store News* study, Spar sampled a universe of 415 chain drug stores in 20 major metropolitan markets.

This statistically representative sample yielded a confidence level of 95 percent with a standard deviation error level of plus or minus 4.9 percent.

The audit was done on Nov. 19th.

Whenever possible, the auditors contacted the store manager or the cosmetic clerk in charge of fragrances and asked for their help in determining the average everyday size of the fragrance department and the additional space increases at Christmas.

In the men's fragrance category, the auditors excluded all after-shave products and just measured display space for colognes.

The definition used to measure point of purchase items was the presence on a display of any one (or a combination) of the following: banner, neck/bottle hanger, shelf talker, pole topper, header card, carton stuffer, take-one pad, poster, valence, or "other" attention getter that doesn't fit into typical categories.

Chart 13: Chain drug stores merchandising fragrances under glass

(Percentage of stores with at least some brands merchandised under glass)

All fragrances	**66.4%**
All women's fragrances surveyed	**62.7**
All men's fragrances surveyed	**45.5**

Source: Drug Store News/Spar Marketing Services

Chart 14: Women's fragrances efficiency index

(Total display space in square feet correlated to dollar sales*)

Charlie	**141%**
Jontue	**141**
Xia Xiang	**138**
Lady Stetson	**130**
Forever Krystle	**124**
Vanderbilt	**116**
Primo	**105**
Enjoli	**100**
Glorious	**100**
Scoundrel	**72**

*Based on market research estimates for the Nov./Dec. 1987 period. Correlation was determined by dividing dollar share of women's sales by Spar's measurement of total space allocated to these brands in women's fragrance sections.

Source: *Drug Store News*/Spar Marketing Services

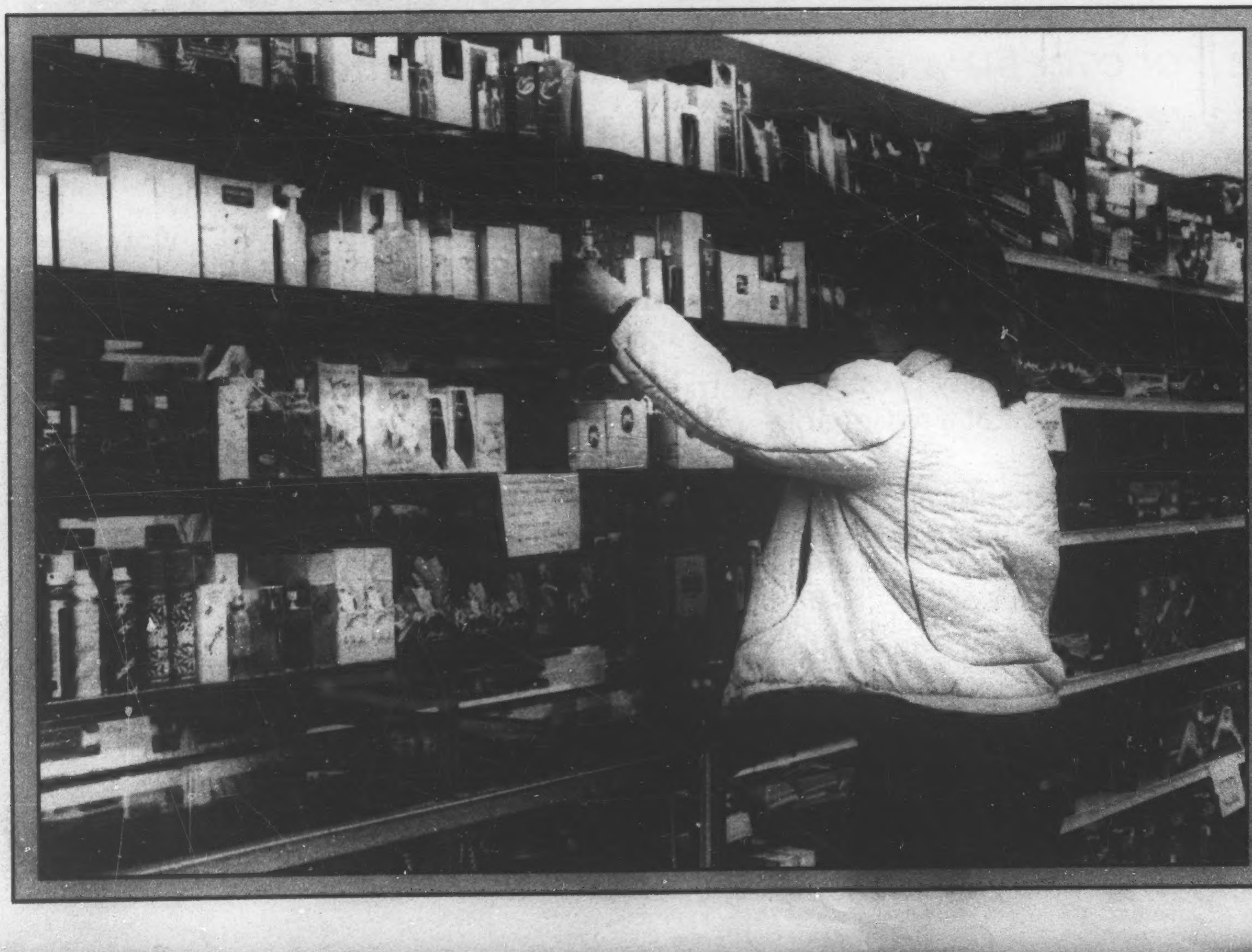
Chart 15: Men's fragrances efficiency index

(Total display space in square feet correlated to dollar sales*)

Old Spice	**189%**
English Leather	**180**
Stetson	**166**
Adidas	**128**
Iron	**128**
Jovan Musk	**113**
Chaps Original	**112**
Night Spice	**108**
Carrington	**106**
Pierre Cardin Original	**72**
Brut	**67**

*Based on market research estimates for the Nov./Dec. 1987 period. Correlation was determined by dividing dollar share of men's sales by Spar's measurement of total space allocated to these brands in men's fragrance sections.

Source: *Drug Store News*/Spar Marketing Services



A customer peruses merchandise displayed on a fragrance shelf in a Perry Drug Store.

CVS, Walgreens, Longs the best at fragrance merchandising: retailers

CVS, Walgreens, and Longs have been singled out as the chains who best merchandise fragrances by retailers who've seen preliminary reports of *Drug Store News's*-Spar's fragrance Christmas merchandising study.

Each of these chains is known for doing an outstanding job in merchandising. Each represents a different segment of the industry: CVS is a bantam drugstore whose average size is about 7,000 square feet; Walgreens is a traditional drug store averaging about 12,000 square feet; and Longs is a super drug store averaging about 24,000 square feet. (See charts 4 and 16 through 18.)

The average CVS store in our audit gave 129 linear feet to fragrances at Christmas, an increase of 86 percent over their normal everyday department; Walgreens gave the department 171 linear feet at Christmas, up 128 percent over everyday; and the average Longs gave 233 feet to fragrances, an increase of 40 perent over everyday.

> *'The way to achieve turns is to get that product off the shelf.'*

The retailers who saw our study all made the same point: Each of these chains seem to have fragrance departments that are large enough to make an impressive statement to the consumers, but not so large that they fail to yield an adequate return on investment.

One buyer said there was "no question that Walgreens is the best fragrance merchandiser in the drug store industry," and he added that "CVS and Longs are also very, very good at what they do with fragrances. Their sales and their sell-throughs prove it."

Too much space given?

In contrast, several retailers said that some of the audited chains' stores may be giving too much space to fragrances, both at Christmas and everyday.

One merchandiser questioned whether Osco Drug, whose average store is about 15,000 square feet, really needed 230 feet for fragrances at Christmas or 137 feet everyday. He also wondered if Pay Less NW, whose average store is about 20,000 square feet, might also be giving too much space to fragrances, both at Christmas and everyday.

"You want to achieve turns as well as sales," he pointed out,"and during the year, that much of an investment in fragrances doesn't sell. I also think by increasing the space at Christmas as much as they have, they could be compounding the problem with turns."

"You have to make the category strongly visible in your stores at Christmas, said Steve Lund, vp-merchandising for Perry Drug Stores, "or you lose the chance to even start to be competitive in the category—but you also have to balance your allocations and inventory against turns and return on investment."

The retailers who gave us feedback on the study also said that it was critical to be "creative with the category,": getting the product off the shelf, getting it out from under glass, and making it very visible with attractive focal point displays, especially at Christmas.

One merchandiser, who is considered one of the best in the business, said he could not stress strongly enough how important it is to use focal point displays in the stores.

"An endcap is just not the right environment for fragrance merchandising," he said. "At Christmas, they can be put to better use to stock toiletries or sundries."

The retailers also agreed that it was self-defeating to expand facings on the shelf at Christmas because fragrances on the shelf just do not turn fast enough to justify increased facings, even at Christmas.

One merchandise manager said that any store that depends on expanded shelf space to generate sales "can expect to have a lot of returns for the manufacturer or they can be assured they'll have at least a six-month backlog of stock on those brands after Christmas."

Merchandising experts also agreed that Christmas prepacks and POP were very important in generating impulse sales and should be used more often by the average chain drug store.

"The way to achieve turns is to get that product off the shelf, and give it a good display." is how one buyer put it. She said her chain works with the major manufacturers to build strong floor displays for the best-selling brands at Christmas, and to find the right environment to highlight the pre-packs.

"Most manufacturers only create pre-packs for their best selling brands, so that's what you use at Christmas," she said.

Our findings also showed that only half the stores in our survey used POP aids like banners, price signage, pictures, etc., to support their fragrance displays at Christmas. The other half of the stores in our survey lacked even one fragrance display with POP.

Most stores in our study also put many of the best-selling brands under glass, a tactic one buyer said was "self defeating."

"If you're going to be in the fragrance business, then you can't merchandise the mass brands under glass," he said. "They just won't sell."

"If you have to use glass, then there has to be a girl there constantly who can service the shopper," said another buyer, "or you're going to lose sales. You're going to waste time and money in everything you stock."

Most of the buyers and merchandisers we talked to said they strive to get all the stores to put up their displays by mid-October. One merchandising vp said he wants all the manufacturers to ship into his stores by Oct. 1 or earlier if possible.

However, our study showed that just 17 percent of all the stores audited got their displays up by Oct. 17th, and

Continued on page 22

Chart 16: How Walgreens merchandised select women's brands last Christmas

(% of stores merchandising these brands)

Brand	Under glass	Endcap	Counter	Island	With POP
Aviance	50.0%	0.0%	4.8%	85.7%	19.0%
Charlie	31.7	11.1	0.0	86.1	8.3
Chantilly	31.0	11.4	2.9	82.9	14.3
Deborah's ScentSational Scents	27.3	7.1	7.1	78.6	28.6
Enjoli	56.4	3.2	9.7	83.9	9.7
Forever Krystle	26.8	9.7	16.1	74.2	19.4
Glorious	91.2	10.0	0.0	75.0	30.0
Intimate	40.5	8.0	0.0	80.0	4.0
Jontue	32.5	8.8	0.0	85.3	5.9
Jungle Gardenia	55.6	0.0	0.0	83.3	0.0
Lady Stetson	34.1	8.3	5.6	83.3	22.2
Le Jardin de Max Factor	32.5	11.1	2.8	80.6	19.4
Primo	31.7	12.1	15.2	78.8	21.2
Scoundrel	28.9	4.2	4.2	79.2	8.3
Vanderbilt	78.4	6.7	6.7	80.0	23.3
Xia Xiang	35.9	0.0	65.0	40.0	35.0

Source: *Drug Store News*/Spar Marketing Services

Chart 17: How Longs merchandised select women's brands last Christmas

(% of stores merchandising these brands)

Brand	Under glass	Endcap	Counter	Island	With POP
Aviance	12.5%	0.0%	0.0%	66.7%	33.3%
Charlie	12.5	28.6	0.0	42.9	14.3
Chantilly	20.0	14.3	0.0	71.4	28.6
Enjoli	20.0	16.7	0.0	83.3	16.7
Forever Krystle	28.6	25.0	12.5	50.0	37.5
Glorious	50.0	0.0	0.0	66.7	33.3
Intimate	12.5	40.0	20.0	40.0	40.0
Jontue	12.0	28.6	14.3	42.9	0.0
Jungle Gardenia	30.0	0.0	0.0	100.0	0.0
Lady Stetson	13.3	0.0	0.0	50.0	50.0
Le Jardin de Max Factor	38.5	0.0	0.0	83.3	33.3
Primo	27.3	0.0	0.0	100.0	0.0
Scoundrel	6.7	20.0	0.0	80.0	20.0
Vanderbilt	43.8	0.0	0.0	71.4	28.6
Xia Xiang	9.1	28.6	0.0	71.4	42.9

Source: *Drug Store News*/Spar Marketing Services

Chart 18: How CVS merchandised select women's brands last Christmas

(% of stores merchandising these brands)

Brand	Under glass	Endcap	Counter	Island	With POP
Aviance	10.0%	0.0%	0.0%	66.7%	11.1%
Charlie	4.8	6.7	0.0	66.7	20.0
Chantilly	5.0	6.7	6.7	53.3	20.0
Enjoli	4.8	0.0	0.0	50.0	0.0
Forever Krystle	4.8	0.0	0.0	62.5	25.0
Glorious	14.3	0.0	0.0	75.0	12.5
Intimate	6.3	25.0	25.0	25.0	0.0
Jontue	5.3	0.0	0.0	66.7	16.7
Jungle Gardenia	50.0	0.0	0.0	33.3	0.0
Lady Stetson	4.8	0.0	0.0	57.1	7.1
Le Jardin de Max Factor	5.9	0.0	9.1	54.5	27.3
Primo	9.5	5.9	11.8	58.8	29.4
Scoundrel	0.0	33.3	0.0	33.3	0.0
Vanderbilt	4.8	7.7	0.0	61.5	23.1
Xia Xiang	6.3	14.3	0.0	71.4	57.1

Source: *Drug Store News*/Spar Marketing Services

Fragrance sales kit helps clerk personalize efforts

Beauty
Beat

Elizabeth Parks

Drug Store News's special study on Christmas fragrance promotional display strategies, in this issue, was created to help fragrance buyers, merchandisers and cosmetic clerks identify the merchandising strategies that insure the strongest Christmas sell-throughs on fragrance. It turns out that the study also helped identify some merchandising tactics that can actually impair fragrance sales in drug stores.

Because this was a store-level merchandising study, we really didn't get into the issue of service in our report.

But every retailer we interviewed about the survey mentioned the importance of service in selling fragrances, and everyone wished there were more selling aids available for the front line clerks who do the actual selling in the stores.

With that thought in mind, we thought retailers would like to know about a special new fragrance sales kit just being made available by the Fragrance Foundation in New York.

The kit has been especially designed to help the clerks who sell fragrances personalize their attention to their customers.

Each kit contains 25 cards that are 8 inches long and 5 inches wide. Each card has a message to help clerks make a suggestive sale.

One card, for example, has a list of questions that a clerk can use to create a "personalized customer fragrance profile chart."

Another card gives the clerk a succinct explanation of the effect various blends of fragrances can create: oriental blends, for example, yield an erotic, mysterious scent; a spicy fragrance creates an energetic, exhilarating impression.

The cards give a clerk something to talk to a customer about, making the customer feel special—they tend to like the show of concern about their life styles, likes and dislikes.

The Fragrance Foundation is making the kits available at $10 for members and $15 for non-members, with a discount for bulk purchases.

Currently, Peoples Drug is the only drug chain that is an individual member of the Foundation, but the National Association of Chain Drug Stores (NACDS) does belong to the Fragrance Foundation, and a Foundation spokeswoman said they would cooperate with NACDS in making kits available to its members.

A spokesman for the Foundation said the kits would be particularly useful to drug stores because "unlike most department stores who use sales specialists to sell fragrances, the drug store clerk is typically not a specialist and therefore not as well trained.

* * *

Leonard Lauder, president and chief executive officer of Estée Lauder, also believes that service or the lack of it is a critical issue for the cosmetic/fragrance industry in all channels of distribution.

Speaking in New York recently at a luncheon for some 2,000 fashion and beauty executives, Lauder singled out service as "one of the most critical issues facing the new cosmetics industry."

"The super mergers, taken place in this industry in the last few years," he said, "have created a new homogenation. We're all trying to sell everything and get into everyone else's business.

"But let's listen to our customer. They're trying to tell us they want service. The important point is not our concern with store wide commissions. The point is not about paying a lot of money to train sales clerks for the stores.

"The point is what a woman wants. And when a woman walks into a store and she's confused or overwhelmed by all the variety, she wants to see a smiling face. She wants to talk to a clerk who can greet her by name and who can keep her in touch with the categories she's interested in by telling her what's new or by recommending something that's especially right for her."

Both Lauder and co-speaker Jim Preston, president and ceo of Avon Products Beauty Group, agreed that the cosmetics and fragrance industry can't rely "exclusively or excessively" on price and premiums to sell product.

They both said the fragrance and cosmetic categories have "great potential" for growth although the industry is "mature." Both stressed that the key to unlocking that growth in this era of super mergers and homogenation is "product innovation, quality and service."

"An excessive reliance on price and premiums, as we're seeing today," said Preston, "does not create value."

Fragrance merchandisers

Continued from page 21

just 34 percent had them up by the end of October (see chart 11). It wasn't until the week of Nov. 7th, that the majority of chain drug stores got their fragrance displays and not until the week of Nov. 21 that all stores surveyed had their displays up.

One buyer said that by getting fragrance displays up as early as mid-October, drugstores create "an atmosphere at store level that makes customers want to shop your stores."

He also said that getting displays up early helps drug stores meet the needs of customers who want to shop early. "Fragrance is a category that traditionally gets shopped late," he said, "but you can still get a lot of impulse sales if you put it up early, and in addition to that, you create the right atmosphere for your stores."

INTRODUCING Djeep Junior

New Djeep Junior comes in bright colors, soft colors, strong colors—a dazzling array of the *right* colors to attract *all* customers.

And Djeep Junior is the *only* compact disposable lighter with both adjustable flame control and double tank construction. A quality lighter loaded with *extra* consumer value.

Feature the unique display — peg the striking blister packs — listen to the register ring.

- Precision engineered
- Positive flame control
- Multiple tank construction
- Unconditional performance guarantee

DISTRIBUTED BY
General Cigar Co., Inc.

Chains see smoke signals, adopt new strategies

When Genovese opened its elongated front-end format in Albertson, N.Y., cigarettes went to eye-level displays behind the cashiers.

Manufacturers' unit sales of cigarettes declined in 1987, as drug store chains adopted new strategies to maintain sales, preserve profits, and guard against shrinkage.

Unit sales dropped 2.1 percent to 570.38 billion units in 1987, similar to the steady declines of recent years, which have been attributed to consumers' health concerns. Industry sources estimate retail sales volume was down 1.7 percent.

The price/value segment continued to gain share of the market, as more consumers abandoned some brands in the face of two more vendors' price hikes in June and December. They added $2 to the price of 1,000 cigarettes, or 3 cents to 4 cents more per pack.

Price/value items—the branded generics, black and white generics, and value 25's (25 for the price of 20)—captured 10.1 percent of market share, up from 9 percent in 1986, according to John Maxwell, tobacco analyst with Wheat First Securities, Richmond, Va.

Within that category, though, only branded generics gained, with 4.1 percent of share, up from 2.7 percent. RJR-Nabisco's Doral led the growth, and ended with 3 percent share, up from 2.1 percent.

Black and whites dropped to 4.1 percent from 4.4, and value 25's to 1.7 percent from 1.9, Maxwell reported.

Drug buyers say generics' success is tied closely to economic conditions, and they can work in some neighborhoods but not in others.

Many buyers said that although unit sales were down, dollar sales were fairly steady due to the price increases. Buyers told *Drug Store News* they are concerned about the possibility of losing display allowances, as they move cartons and packs behind counters to limit shrinkage.

But the payoff in reduced shrinkage often offsets the lost allowances and lost sales that might occur by eliminating self-service, some buyers say.

"We were losing a lot to theft. So we made the move two years ago to go behind the counter. Ninety-eight percent of our sales now are behind the counter, and shrinkage has dropped to nothing," said Mike Tipton, Begley Drugs' buyer.

Begley displays Philip Morris, RJR-Nabisco and American Brands packs in counter fixtures. The fixtures' assortments are rotated regularly.

While Begley's unit sales were down about two percent last year, profits haven't been hurt as badly from the lost display allowances for carton fixtures, Tipton said.

Vendors have increased allowances for pack displays in response to concerns about shrinkage from self-service carton fixtures, and to chains' preference for countertop locations.

Buyers said vendors have upped the allowance for counter displays about 10 percent, though the payments are still significantly below those given for a self-service carton fixture.

Medicare-Glaser uses only non-self service racks located behind the checkouts, since stores' staffs aren't large enough to police self-service units properly. Seventy percent of sales are from single packs, says Bob Strange, a chain buyer. The St. Louis-based chain saw unit sales decline, while dollar sales increased.

Medicare-Glaser succeeds with black and white generics in demographically suitable neighborhoods. Its branded generics sales have been down, as a result of vendors' lack of advertising for the brands, Strange feels.

Other buyers report different results.

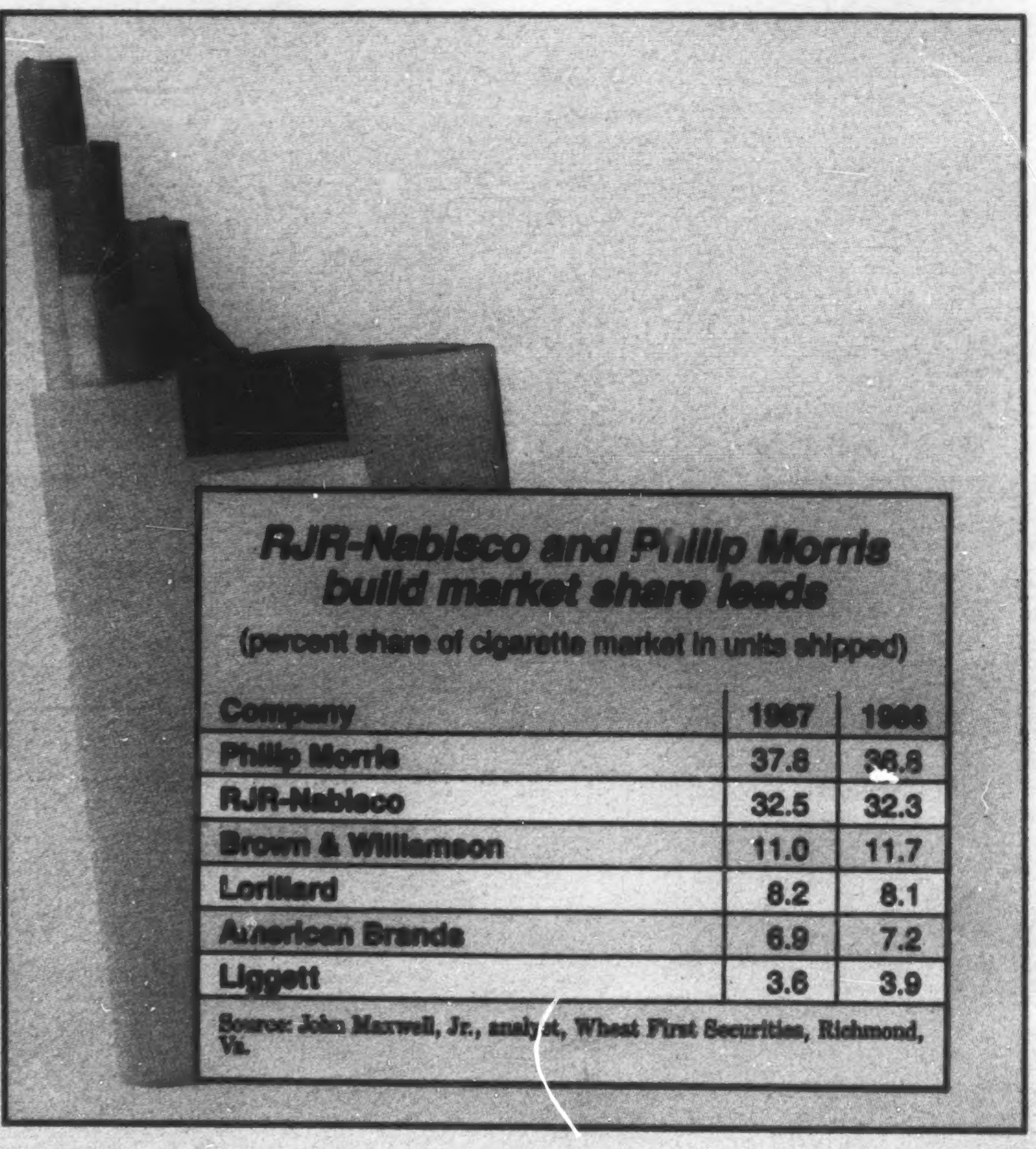
"Black and white is dead. We've never been strong in it. Our customers aren't attracted to them," said Begley's Tipton, noting Begley's customer base tends to be middle class, and above.

Other buyers report success with the branded generics, including Doral, Philip Morris' Cambridge, Brown & Williamson's Falcon Lights, and Liggett & Myers' Quality Lights.

Coremark, the Tulsa-based tobacco and candy distributor, experienced strong sales in Doral and Cambridge as a result of manufacturers' $1 and $2 coupons on cartons. "Customers buy two or three cartons instead of one, and smoke more as a result," said John Sharp, Coremark's sales manager.

Price-value cigarettes accounted for 12 percent of Coremark's total tobacco sales in 1986, and should account for 15 percent in 1988, says Sharp, as they continue to grow. They're hits in blue-col-

Continued on page 26



RJR-Nabisco and Philip Morris build market share leads

(percent share of cigarette market in units shipped)

Company	1987	1986
Philip Morris	37.8	36.8
RJR-Nabisco	32.5	32.3
Brown & Williamson	11.0	11.7
Lorillard	8.2	8.1
American Brands	6.9	7.2
Liggett	3.6	3.9

Source: John Maxwell, Jr., analyst, Wheat First Securities, Richmond, Va.

Multipacks fuel disposable lighter sales

Multipacks have made disposable lighters more attractive to drug chains by allowing higher register rings and more profits.

The highly-consumable items in multipack form provide the high-profit per square inch that chains look for when merchandising their valuable checkout counter territory.

Bic, Universal Match (with its Cricket and Feudor brands), and Scripto-Tokai have helped sales with merchandising systems aimed at spurring the impulse purchase, and with restaged products, such as Bic's Mini Bic, and Universal Match's new Cricket lighter with a flattened shape.

The market grew at a respectable pace, hitting 500 million units in 1987, two percent more than the previous year. Market leader Bic grew unit sales by 5 percent in maintaining a market share in the high sixtieth percentile, according to Joan Kaufer, product manager for lighters.

Most of the growth came from the Mini Bic, particularly in the multipack form, Kaufer said.

Lighters invite repeat purchases, another reason for stores to maintain adequate inventory.

"People buy a five-pack, use three, and lose two," observes Begley Drugs' buyer, Mike Tipton.

Begley gained sales growth last year by regularly promoting them, typically at 30 cents a lighter, with a three-pack for 99 cents. Tipton will sometimes promote a 13 cents lighter "super buy," as well.

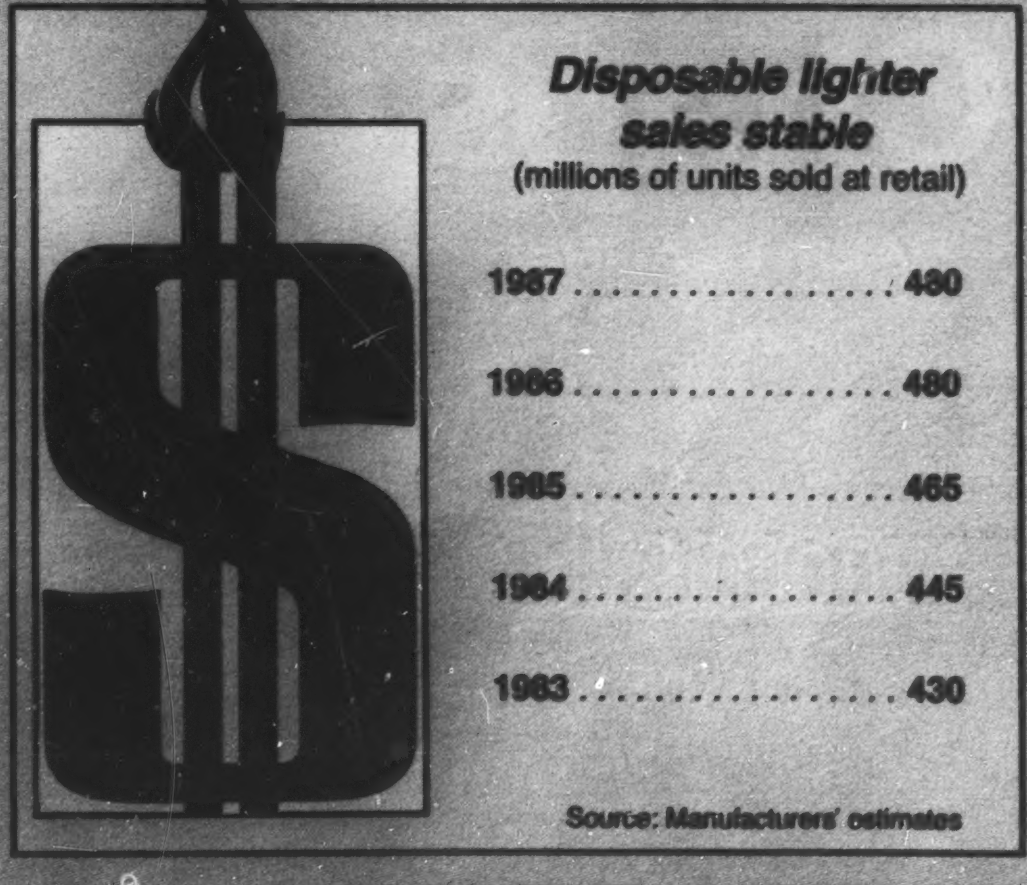
Its Bic, Cricket and Scripto lighters take up four feet of a nine- to 12-foot tobacco section.

Medicare-Glaser carries only pegged lighters as part of an impulse section of items including playing cards and disposable razors at the tobacco counter. It typically employs three-for-$1 promotions, says buyer Bob Strange.

The chain is, in fact, the number one distributor of the Feudor brand in the St. Louis market, and also carries Bic and Scripto, Strange said.

Vendors predict bulk displays will catch on, as out-of-stocks are often a problem.

This January Bic rolled out a 100-unit, two-tier bulk display for regular-sized and Mini Bics that takes up seven inches of counter space, and "will be a good adjunct to peggable merchandise," product manager Kaufer predicts.



Disposable lighter sales stable

(millions of units sold at retail)

1987	480
1986	480
1985	465
1984	445
1983	430

Source: Manufacturers' estimates

FDA stats: Enforcement declining during Reagan's term

ROCKVILLE, Md. — Federal Food and Drug Administration enforcement activity fell to a new low last year—a development sure to fuel fresh charges that Reagan Administration FDA officials are sweet on pharmaceutical manufacturers and firms in other regulated industries.

According to the latest official figures released by the agency, the total number of enforcement actions undertaken by FDA during the government's 1987 fiscal year dropped by more than 11 percent. The 23,281 individual actions (e.g. product seizures, recalls, injunctions, etc.) reflect a decline of nearly 3,000 from the 1986 total, and represents the lowest level of enforcement activity by FDA in more than a decade.

Moreover, last year's decline continues a downtrend in federal food and drug enforcement that began at the onset of the Reagan Administration. A special *Drug Store News* analysis of the figures indicates that under the Carter Administration the level of FDA enforcement averaged nearly 40 percent higher than last year's rate.

Much of the drop in FDA enforcement over the past year reflects a sharp decrease in the number of plant inspections conducted by the agency's field personnel. During 1987 FDA conducted only 20,298 inspections—a decline of more than 2,000 from the 1986 level, and 35 percent fewer than the annual average during the Carter years.

The agency's inspection activity peaked in 1981, with more than 36,000 official visits to FDA-regulated facilities. Since then the number of FDA inspections has declined each year.

The agency also experienced a downturn in other types of enforcement activities during fiscal year 1987, however. The number of prosecutions initiated by FDA fell 6 percent last year, product seizures dropped 17 percent, and injunctions declined by 26 percent percent.

In addition, the number of "regulatory letters" sent to industry firms warning them of possible food and drug law violations decreased by 13 percent last year.

In the past, FDA officials explained this declining enforcement activity as, at least in part, a result of the Reagan Administration's emphasis on securing voluntary cooperation from regulated industries. Because FDA had successfully convinced many manufacturers to comply with the Federal food and drug law voluntarily, they reasoned, there was less need for the agency to engage in direct enforcement activity.

Voluntary corrections lower

But the total number of "voluntary corrections" conducted by manufacturers dropped slightly during 1987, while the number of product recalls (actions normally undertaken by manufacturers rather than by FDA) fell by 22.

FDA's sagging enforcement pace is even more pronounced when compared with the level of activity during the previous administration.

DrSN's special analysis of FDA enforcement during the four Carter years (fiscal year 1977-80) versus the Reagan period (fiscal year 1981-87) found the number of prosecutions off by 21 percent, regulatory letters down 27 percent, and inspections lower by 12 percent.

Although the number of product recalls announced annually is sharply higher under Reagan, FDA averaged twice as many product seizures and nearly three times as many injunctions during the Carter years.

FDA officials made no comment on the enforcement drop in releasing the latest figures, but the agency did point out that the 1987 statistics do not include the results of FDA's joint crackdown with the Justice Department against illegal anabolic steroid sales.

So far that investigation has produced 124 indictments and 19 convictions or guilty pleas to felony charges, FDA'rs said.

Franchises: What they offer, what it costs

	Number of stores	Franchise fee	Additional costs
Health Mart	411	none	$500 total store merchandising 24,000 annual circular fee $100 monthly TV ad fee $36 monthly merchandising fee
Medicap	63	$30,000	4% monthly sales business services 1% monthly sales ad fee
Super D	60	none	$500 signage 3% monthly sales business services 1½% monthly sales ad fee
Medicine Shoppe	720	$12,000 (conversion) $18,000 (new)	5½% monthly sales business services
Drug Emporium	137	$25,000 store fee	Scales 0-3% sales royalty based on annual earnings .001% annual earnings ad fund

Source: Company reports

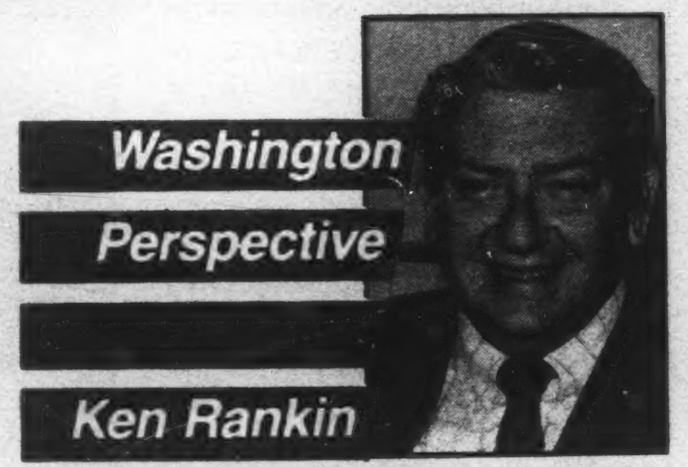
For those who would be king. . .

Franchisors can offer a safety net of expertise and assistance for pharmacists who want to be independent but are wary of facing the market alone.

The protection comes at a price. Listed above are costs for franchising for several operations. Specifics vary, but most require a several thousand dollar initial investment and a royalty fee based on monthly or annual sales.

For full information on the dynamics of franchising, see our feature starting on page IP13.

Fraudulent AIDS 'cures', counterfeit drugs proliferate



Watch out—FDA officials are warning that the marketplace is being bombarded with phony AIDS drugs! Among the fraudulent AIDS "cures" encountered so far by Federal officials: "blue-green algae, injections of hydrogen peroxide, the food preservative BHT, pills derived from mice that have been given the AIDS virus, and herbal capsules that contain poisonous metals."

According to FDA Commissioner Frank Young, the marketers of these quack "treatments" are also distributing bogus AIDS preventatives. "For uninfected consumers, there are products such as a spermacide that untruthfully claims to kill the AIDS virus and the 'SaniForm,' a piece of plastic to cover telephone mouthpieces that was promoted to protect against infection from public phones," he said. This item, according to Young, "not only takes people's money, but erroneously promotes the idea that AIDS can be contracted by touching items handled by someone infected" with the disease.

* * *

Meanwhile overseas, flagrant counterfeiting of legitimate U. S.-made pharmaceuticals is reaching epidemic proportions, according to a new report from the International Trade Commission. All told, U. S. drug manufacturers lost more than $1.9 billion to foreign patent pirates during 1986 alone, ITC revealed.

In addition to costing American pharmaceutical makers hundreds of millions of dollars in sales of drugs produced abroad, these off-shore patent pirates were responsible for reducing U. S. pharmaceutical exports by $270 million, according to ITC.

While drugs are disproportionately affected by foreign patent piracy, hundreds of other U. S. products are being openly counterfeited and sold abroad. Indeed, U. S. Trade Representative Clayton Yeutter estimates that U. S. industry may be losing between $43 and $61 billion annually to off-shore pirates.

* * *

Looks like the PPI controversy may be heating up all over again. The National Association of Chain Drug Stores is hopping mad about the Food and Drug Administration's new scheme to relax current requirements that manufacturers of estrogen products distribute "patient package inserts" to pharmacists along with these drugs.

In a formal protest to the agency, NACDS President Ron Ziegler said that the current rule requiring PPIs to "physicially accompany" the product is "logical, reasonable and makes the process orderly."

Federal regulations have required that patient inserts accompany estrogen drugs since 1977, and a shift in that distribution system could "welcome numerous problems and confusion," according to Ziegler.

Specifically, the chain drug industry is concerned that if manufacturers are given greater flexibility, they may not provide drug stores with the necessary PPIs in a timely fashion.

If "the proposed rule allows patent package inserts to be sent separately and not with the product, retail pharmacies may not receive adequate quantities of the insert to provide to patients at the time the product is dispensed," Ziegler warned. "Therefore, under these situations, the product would be mislabeled and the pharmacy would be in violation of the law."

* * *

The Federal Trade Commission's interest in "anticompetitive" pharmacy practices—which until recently has been focused on state pharmacy boards—now appears to be broadening.

Pharmacy leaders in New York are reportedly under scrutiny by commission investigators for allegedly conspiring to boycott the state's controversial new drug benefit program for state employees.

It's no secret that empire state pharmacists were underwhelmed by the reimbursement formula contained in the original plan advanced nearly two years ago. That scheme not only required participating pharmacies to accept product cost payments at less than AWP, but also called for lower reimbursement rates for chain operators. Subsequently, however, the formula was sweetened and N. Y. pharmacies began participating.

What FTC is trying to determine is whether the widespread failure of New York druggists to participate in the plan initially was a result of collusion. If so, Federal price fixing charges could be filed.

* * *

Are OTC drug manufacturers unfairly promoting asprin as an anti-heart attack drug?

Aspirin products have been difficult to keep on the shelves since the New England Journal of Medicine reported earlier this year on the results of a study linking aspirin use with the prevention of heart attacks. But at least part of the upsurge in demand for aspirin is a result of manufacturer advertising—advertising which some industry critics say plays up the potential benefits of aspirin use without disclosing the risks.

Now top government officials are warning that the industry has gone overboard in its health claims for aspirin. At a recent OTC drug conference in Washington co-sponsored by FDA and the Proprietary Association, House Health Subcommittee Chairman Henry Waxman (D-Calif.) openly accused manufacturers of failing to provide essential warnings in their latest aspirin ads.

More recently Food and Drug Commissioner Frank Young voiced similar concerns in a letter to aspirin manufacturers reminding them that Federal law considers misleading ad claims to be "mislabeling." According to Young, nearly all aspirin makers have responded by pledging to halt heart attack claim advertising until further study data is available.

Rx checkstands aim for clean look: study

By Barbara White

It's no secret that checkstands are heavily merchandised, crammed full of the items retailers hope will create quick turns, impulse purchases and ultimately, big profits in a small space.

Merchandising the pharmacy checkstand area is quite another matter.

Many drug chains minimize the impulse items at their pharmacy checkstands in favor of a clean, health-oriented image, opting not to take full advantage of merchandising in this heavy traffic area.

"Merchandising the pharmacy area hasn't been a priority for Drug Emporium," said Steve Denovchek, director of pharmacy at the prominent deep-discounter. Denovchek said that the "supermarket mentality" that governs the checkout area at the front of the store has been avoided in the pharmacy area.

"The pharmacy is a service-oriented area where prescriptions are filled professionally. We are not trying to create extra sales by placing impulse items there to the extent that we merchandise checkout at the front of the store," he said.

Proximity to the pharmacist plays heavily in tailoring the merchandise mix at other chains. At Perry Drugs, the area behind the pharmacy checkstand—the area that customers see from the other side of the counter—is reserved for products that pharmacists wish to recommend to customers, according to Mike Winkleman, assistant vp of pharmacy services.

"When a busy pharmacist is tring to fill 200 prescriptions a day, it's work to have to walk down the aisle to recommend products," said Winkleman. "Pharmacists are the most highly trusted professionals and their recommendations are important." That's why the chain leaves the selection of the most frequently recommended products to be placed behind the counter to pharmacists at individual stores. In nearly every case, the products placed there are private label, according to Winkleman.

A recent Lebhar-Friedman Research survey of pharmacy checkstand merchandising revealed that chains are creating a specialized product mix for the area, one that invites some impulse purchases but also provides consumers with information and eases consultation with the pharmacist.

Lip protection tops list

When asked which three items are the most desirable year-round products for placement at the pharmacy checkstand, chain headquarters and store management personnel responsible for those decisions showed one favorite item. The darlings of the pharmacy checkout area were lip protection products, chosen by 53 percent of respondents.

Lip protection products are quick turnovers generating high sales per square foot. Factors, such as these, play an important part in the decision of which products occupy the prime real estate of the checkout counter.

Quick turnover was the most important factor contributing to that choice. Eighty percent of the pharmacy supervisors, general merchandise managers, store managers and others surveyed cited quick turnover as the most important factor for consideration when choosing which items get the coveted space.

Sales per square foot figured heavily as a consideration as did a product's impulse buying potential. Broad customer appeal was cited by 63 percent of the respondents as a factor in selecting items to occupy space near the checkout area.

Testing customer appeal

Customer appeal figures heavily into decisions about what is merchandised near the pharmacy checkout counter at MediSave, according to Bob Miller, MediSave's director of advertising.

Miller said that MediSave's pharmacy checkout area, although not heavily merchandised, serves as a test site for new products which are often given space there before being integrated into the store's product mix.

"We often put new products in trial sizes at the pharmacy checkout area," said Miller. "Its a low investment and a quick read of how a product will be accepted by consumers. If it goes well, then we integrate the item into regular buying patterns and place the item in the appropriate place in the store."

Other chains agreed; 17 percent of the respondents cited health and beauty trial sizes as one of the three products most wanted at pharmacy checkout areas.

Jimmy Jackson, manager of pharmacy at Kerr, said that a range of trial sizes priced from 15 to 39 cents, can usually be found at the chain's pharmacy checkout.

Items enjoying a surge of popularity can get some unexpected checkout space—at least for a while.

Diagnostic kits and vitamins were the items retailers added most frequently to their pharmacy checkstand areas this past year.

Fish oil capsules, at the height of popularity this year after a study indicated that the supplements lowered cholesterol, enjoyed their moment in the sun this year at the pharmacy checkstands at MediSave.

After subsequent studies questioned the effectiveness of fish oil, MediSave transported the tablets back to the vitamin area. Checkstand status can sometimes be short-lived and elusive.

Reliable Turns

Although 53 percent of the survey's respondents said that they had placed products at the pharmacy checkout counter over the past year that had never been tried there before, the old faithful performers get the coveted space year after year at many chains.

The products that chain decision makers want most at the pharmacy checkstand, after lip balm, are vitamins, named by 40 percent as one of the three most desirable items.

"Vitamins are a good gross profit item," explained Steve Bishop, vice president of Bill's, a California chain. With an 8-foot counter area and virtually only the back of the register to merchandise, Bishop has to closely guard the checkstand area.

"We do merchandise some small items using a combination of provider racks and bins on both sides of the register," said Bishop. Some of the chains' stores have step shelves, allowing additional items to be merchandised around the pharmacy checkout counter.

The chain has devoted shelving on the bottom area of the pharmacy checkstand to eyecare and a diabetic section, according to Bishop.

"The diabetic products are expensive, and keeping them near the pharmacist allows better surveillance," he said.

Drug Emporium's diabetic products are placed at the pharmacy checkout counter as well, but for different reasons.

"Diabetic products would do well anywhere," said Steve Denovchek, "but customers have questions and we want to make the pharmacist available to answer them. Our decisions on what to place at the pharmacy checkstand are customer driven."

Eye care has been given checkout status at MediSave. "We went from 4 feet to 8 feet in two and a half years in eye care," said Miller.

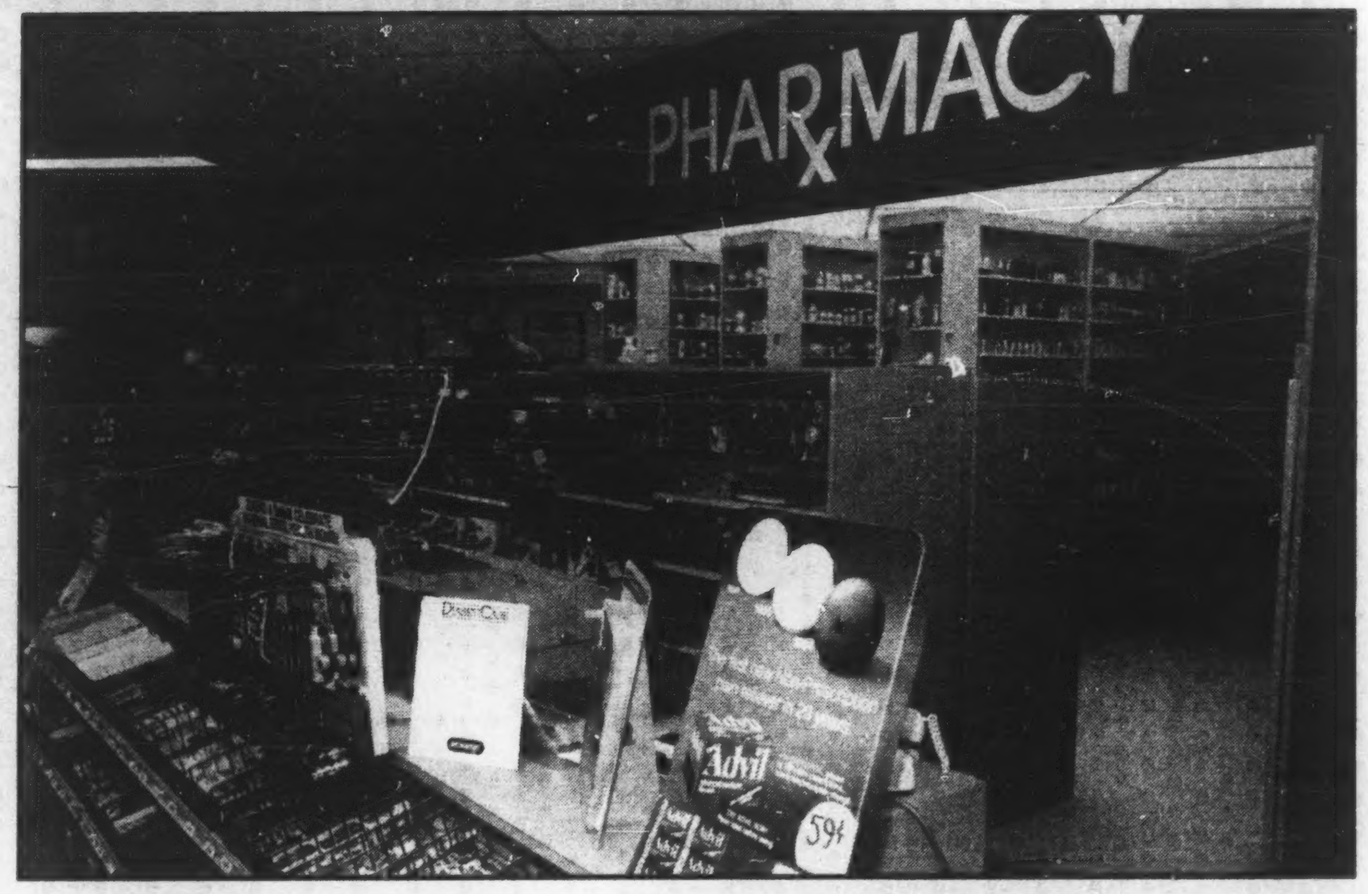
Seasonal shifts

Retailers chose cough/cold remedies as the checkout item of choice for winter. Fifty percent responded that the products would be their top product choice for checkout space in winter. The products were also a favorite for the fall.

Allergy/hay fever products were the most popular choices for spring (30 percent) while the summer winner was sunblock/suntanning products.

Although 40 percent mentioned sunblock and suntanning products as their summer checkstand favorites, Dave Lutz, merchandise manager at Hook-SupeRx said that hydrocortisone creams and products for motion

Continued on page IP26



Many chains display checkstand products that promote a health-care image, such as the analgesic and dental items and the educational brochures found at this Eckerd counter.

Methodology of the study

The 1988 *Drug Store News/Inside Pharmacy* Pharmacy Checkstand Study is based on 30 interviews with individuals with direct responsibility for merchandising the pharmacy checkstand area at chains ranking among the top 100 in dollar volume.

Telephone interviews were conducted during December 1987 and January 1988 by professional interviewers under the direct supervision of Lebhar-Friedman Research.

It's shared duty for checkstand planograms

Pharmacy checkstand merchandising decisions are a shared responsibility between a variety of headquarters and store personnel.

Over half of the top 100 retail pharmacy chains are planogramming their pharmacy checkout areas, although the individuals involved in the planogramming may vary from chain to chain. Indeed, input may be required from more than one individual.

The pharmacy supervisor was mentioned by 43 percent of respondents as being involved in pharmacy checkout decision making. General merchandise managers and vice presidents of operations were mentioned equally at 30 percent.

At the store level, however, the survey revealed that the majority of decisions are being made chiefly by

Continued on page IP26

Who makes checkstand merchandising decisions?

(% of respondents citing titles)

Headquarters Positions	
Pharmacy Supervisor	43
General Merchandise Manager	33
Vice President Operations	30
Vice President Operations	27
Vice President Merchandising	20
Buyer	17
President/Owner	17
Merchandise Manager (grocery, H&BA, sundries, seasonal)	13
Exec. VP, VP	7
District/Regional Manager	7
VP Purchasing	3
Store Level Positions	
Store Manager	63%
Pharmacist/Head Pharmacist	30
Assistant Store Manager	17
Clerk/Head Clerk	7
Other store level positions	17

Percentages total in excess of 100% due to multiple responses.

Source: Lebhar-Friedman Research

Displays most frequently used at checkstands

Countertop displays	93%
Professional literature racks	80%
Free-standing manufacturer or floor displays	67%
Vertical displays	60%
Horizontal displays/bins for dumping	53%
Wire racks that display a variety of products/gravity feed displays/condom racks	43%

Percentages reflect the most frequently mentioned type of display used in the pharmacy checkout area. Percentages exceed 100% due to multiple responses.

Source: Lebhar-Friedman Research

Private label, brochures cited as checkstand favorites

Continued from page IP25

and seasickness did well at the checkstands of the Ohio chain in summer.

Hook was one of the chains that planogrammed the pharmacy checkstand area monthly. Private label products figure heavily in cardboard displays merchandised in the chain's pharmacy checkout area.

The top five

What the chains view as desirable and what they actually merchandise on a regular basis sometimes differ. Many chains mentioned items they view as desirable, like dosage spoons and pill boxes, but the categories being merchandised come down to a standard top five. Ironically, the item most likely to be found at the checkstand is not a profit maker at all.

Free educational literature was cited by 87 percent of the respondents as the products which are most regularly available at the pharmacy checkstand. The decision makers had their complaints and their praise for the pamphlets.

Hook-SupeRx produces its own educational materials on nearly 18 health topics. Dave Lutz explained that the chain often merchandises products and pamphlets to tie in with health weeks.

"For poison prevention week, we'll advertise our booklet and run a tie-in with a product which induces vomiting," said Lutz.

Kerr's Jackson said that the literature tends to clutter a checkout area which he tries to keep clear.

"I would love the PMA to standardize brochure size so that all literature could fit on one standard rack," he said. "We have complaints about the appearance of the pharmacy area because of the clutter the pamphlets create."

Snyder Drug, a Minnesota chain, may soon cash in on the information business.

"We've talked about informational booklets in the $3 to $5 price range," said Edward Pelant, director of pharmacy operations. "Consumers have more of an interest in their health now, I think that the booklets would do well."

Kerr already offers small books in the area adjacent to the checkout counter, according to Jackson.

Indeed, some survey respondents noted health books and videos as items which they would like to see merchandised in the pharmacy checkstand area in the future.

Vitamins filled the number two spot (87 percent), and lip balm and medical ID bracelets followed with a 77 percent response rate. Diagnostic kits, because of their high tickets and reliance on pharmacist recommendations, rounded out the top five.

Endcap tie ins

Over half of the chain retailers surveyed are using their endcaps to merchandise impulse items. The most frequently merchandised product in pharmacy endcap displays were cough/cold remedies, mentioned by 60 percent of the respondents.

If vitamins don't make it to the space beneath the pharmacy counter, they can most likely be found in a pharmacy endcap, as evidenced by the 33 percent of respondents who said that their store's vitamins have endcap status.

Snyder Drug represents the typical endcap strategies used by most chains. Pelant said that the endcaps, which are changed seasonally, featured vaporizers and cough/cold products this winter.

Vaporizers were a favorite among retailers to be placed near the pharmacy checkstand. Retailers mentioned the proximity to an outlet for demonstration of the product as one reason the devices were placed at or near the pharmacy checkstand.

The four to five endcaps facing the 32-foot pharmacy at Bill's contain health and beauty aids and are changed weekly.

Diet aids and diagnostic kits (such as pregnancy and ovulation kits and diabetic monitoring products) had endcap display space at 17 percent of the chains surveyed.

Five endcap favorites

(% of respondents citing products regularly available at pharmacy endcaps)

Cough/Cold Remedies	**60%**
Vitamins	**33**
Condoms	**23**
Vaporizers	**20**
Diet Aids/At-Home Diagnostic Kits	**17%**

Percentage sums exceed 100% due to multiple responses from headquarters personnel.

Source: Lebhar-Friedman research

Five checkstand favorites

(% of respondents citing products regularly available at pharmacy checkstands)

Free educational literature	**87%**
Vitamins	**87**
Lip protectors	**77**
Medical ID bracelets	**77**
At-home diagnostic kits	**73**

Percentage sums exceed 100% due to multiple responses from headquarters personnel.

Source: Lebhar-Friedman research

Top five seasonal checkstand favorites

(Five categories most frequently cited by headquarters respondents when asked to name their single favorite seasonal checkstand product)

Winter	
Cough/cold remedies	**50%**
Lip protectors	**23**
Thermometer	**7**
Muscular rub/ointment	**3**
Vitamins	**3**
Spring	
Allergy/hay fever products	**30**
Vitamins	**17**
Lip protectors	**10**
Poison ivy/anti-itch products	**10**
Suntan products	**7**
Summer	
Sunblock/suntan products	**40**
Lip protectors	**17**
Diet aids	**3**
Sunglasses	**3**
Ice pack	**3**
Fall	
Cough/cold products	**33**
Vitamins	**20**
Allergy/hay fever products	**7**
Analgesics	**7**
Lip protectors	**7**

Source: Lebhar-Friedman research

How items earn checkstand space

(Percentage of headquarters respondents who cited these factors to be "very important" in granting checkstand space)

Quick turnover	**80%**
Sales per square foot	**77**
Impulse purchase potential	**67**
Broad customer appeal	**63**
Inventory turns	**60**
High gross margin	**50**
Reduced risk of theft	**33**
Display allowances	**30**
Items of excellent value	**27**
Items on sale	**17**
Availability of manufacturer-provided display	**10**

Source: Lebhar-Friedman research

Checkstand decision-makers

Continued from IP25

the store manager. Pharmacists were ranked as the number two decision makers.

But it is the vp/director of operations who seems to be the individual responsible for space allocation decisions, according to 23 percent of the study.

One force that clearly has impact on what products are being merchandised at the pharmacy checkstand is manufacturers.

Manufacturers, always clamoring to have their products displayed in the prime space at the checkout counter, offer an array of incentives to retailers.

Seventy-seven percent of the retailers surveyed said manufacturers use free display fixtures as incentives for placing their products near the pharmacy checkstand.

Offering extra discounts, such as cash rebates, or extra P-O-P displays or co-op advertising were additional ways that nearly one third of the retailers mentioned manufacturers had used to persuade them to place their products near the pharmacy register.

Affording extra cash allowances were mentioned by nearly as high a percentage of retailers.

While some retailers choose to take manufacturers up on the offer, others steer clear of the attractive draws.

Steve Denovchek, director of pharmacy at Drug Emporium, doesn't rely on manufacturer incentives when choosing merchandise to be represented at the Ohio-headquartered chain's pharmacy counter.

"Manufacturer incentives come into play to a greater degree at the front of the store," he said. "The pharmacy area doesn't merchandise that heavily."

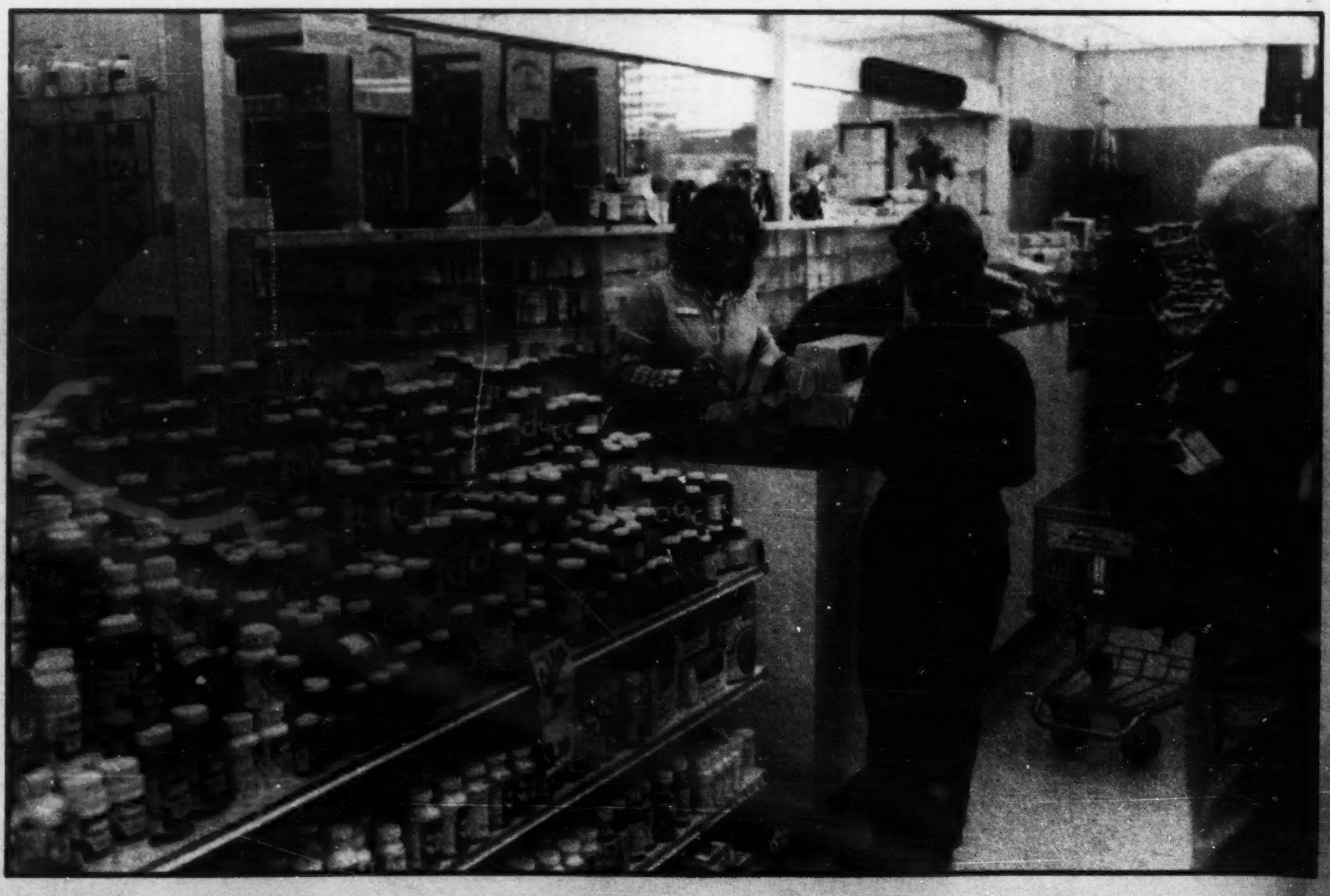
Dave Lutz, merchandise manager at Hook-SupeRx, gives as much consideration to manufacturer allowances in the pharmacy section as he does in the front of the store.

Although Bob Miller, director of advertising at Medisave, said the chain does use display racks that manufacturers provide, he is wary of many of the incentives offered by manufacturers to place their products in the spotlight.

"Anything new is great, but after the newness wears off, sales tend to drop," he said. "In any job racked situation, the rack is loaded with non-sellers along with the top sellers."

Many retailers would rather trust their own judgment in merchandising the pharmacy checkstand, rather than fall for the charms of the incentives.

"The bigger the incentive, the less viable the product is usually," said Miller. "If it has $10,000 attached to it, it's probably not a great seller."



This Walnut Creek, Calif., Longs has a shelf display of vitamins adjacent to its pharmacy checkstand.

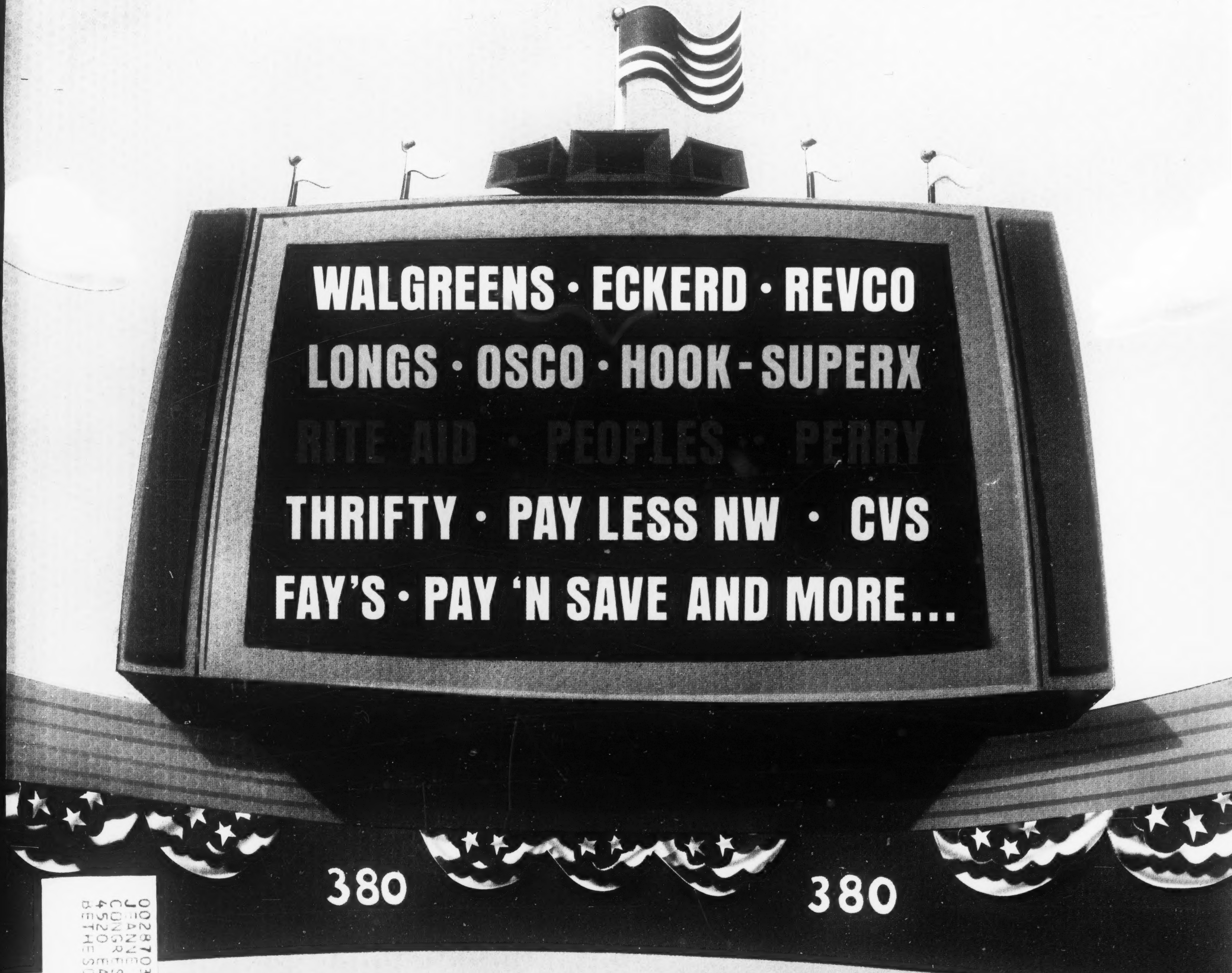
DRUG STORE NEWS®
April 11, 1988

4/12/88

C5150-2

THE 1988 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PART ONE


WALGREENS · ECKERD · REVCO
LONGS · OSCO · HOOK - SUPERX
RITE AID · PEOPLES · PERRY
THRIFTY · PAY LESS NW · CVS
FAY'S · PAY 'N SAVE AND MORE...
380
380

0028703C DR
JEANNE LONG
CONGRESSIONAL INFORMATIO 1KN
4520 EAST-WEST HIGHWAY/#800
BETHESDA MD 20814

Drug chains enjoy home field advantage

See pages 41-119

Industry sales reach $53.5 billion

Alex Grass
Another victory

Rite Aid wins Begley: SupeRx drops out

— see page 5

DRUG STORE NEWS®

Vol. 10/No. 8 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. April 11, 1988

Revco's Edwards leaves presidency, Sells picks up duties

Vito Cardace, cfo, is also gone

By James Frederick

Bill Edwards
Revco prexy resigns

TWINSBURG, Ohio — In a move that had been anticipated for several months, Bill Edwards has resigned as president and chief operations officer of Revco D.S. "to pursue other business opportunities."

The resignation, announced in a March 28 letter from Revco chairman and chief executive Boake Sells to Revco employees, marks the end of a management shuffle which has been ongoing since Edwards himself succeeded Sid Dworkin as chief executive one year ago.

In another major management change, Vito Cardace has resigned as chief financial officer, also "to pursue other business interests." Cardace, 48, had replaced R. Carroll Hudson as cfo in March 1987, after a career with The Great At-

See **Edwards,** *page 129*

American's Lucky goal is greater food-drug muscle

By Susan Ball

SALT LAKE CITY — A day after launching its $45-a-share takeover bid for Lucky Stores, American Stores offered to sweeten the tender offer to $50 a share, or about $1.93 billion.

The higher price depends on Lucky's agreeing to an "expeditious" and friendly transaction, American Stores said.

American Stores, owner of Osco Drug Co., Alpha Beta supermarkets and other businesses, filed its $45-a-share cash tender offer for Lucky with the Securities and Exchange Commission on March 28. The initial offer was valued at $1.74 billion.

Lucky responded by strongly advising its stockholders to take no action on American's offer until Lucky's board of directors had a chance to consider it and make a recommendation.

Lucky, regarded as a low-price leader in its California markets, operates 482 stores in California, Arizona, and Florida, 92 with pharmacies. At press time, its first 60,000-square-foot Advantage store debuted—a new format with pharmacy, groceries and an expanded cosmetics department—in Clairmont, a San Diego suburb.

The combination of American Stores, the third-largest supermarket chain, and Lucky would potentially create the nation's largest supermarket chain. It might also provide opportunities for American's Osco Drug division to expand in Lucky's California markets, if the acquisition resulted in a tie-in between Osco and Lucky's drug operations.

American Stores said in the SEC filing

Continued on page 130

The American Stores empire. . .

American Stores Inc., all divisions	***1,460(A)***
Operations all having pharmacy:	
Osco Drug	**515**
Jewel Osco	**130**
Skaggs Alpha Beta combos	**104**
Other operations (number of stores with pharmacies in parentheses):	
Alpha Beta	**240 (1)**
Jewel	**87**
Acme	**294**
Star	**45 (1)**
Buttrey	**45 (22)**

(A) The company released a 1,590 total store figure in its year-end report by counting Jewel Osco twice.
Source: American Stores

and its current goal:

Lucky Stores **. . 482 (92 with pharmacy)**

Source: Lucky Stores

Hook-SupeRx inks definitive pact to buy Brooks Drug for $80M

Doster

CINCINNATI — The plan by Hook-SupeRx to grow dramatically by buying Brooks Drugs moved ahead with the signing March 24 of a definitive purchase pact, HSI said.

HSI reached final agreement with Brooks owner, Andrews Group Inc. (formerly Compact Video, Inc.), after three months of talks. Andrews Group is 40-percent owned by MacAndrews and Forbes, a holding company.

The $80 million cash purchase is subject to the completion of financing, and other unnamed conditions, HSI said.

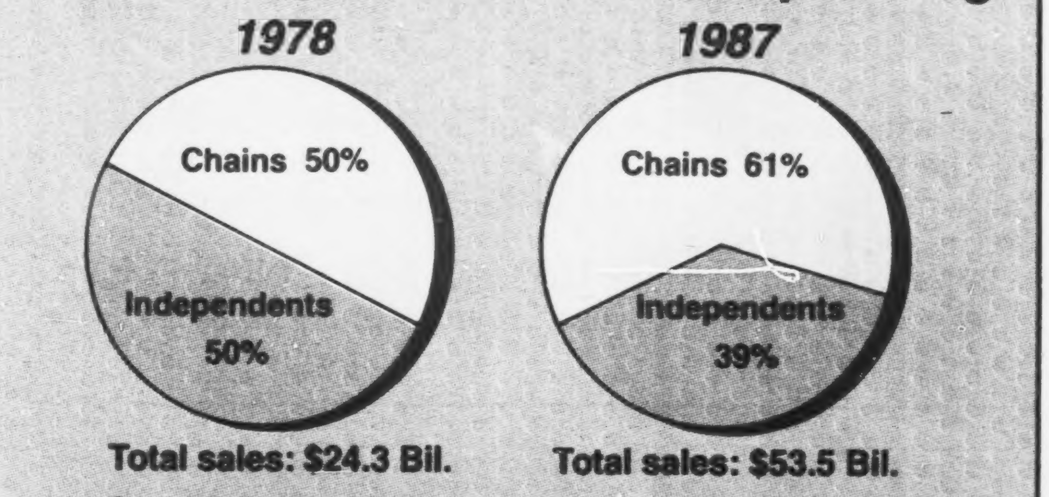
"It is a very positive move for Brooks. It will be run now by drug store people, and not a company that didn't have an interest in the business," said one Brooks source.

With the planned merger, HSI will become the seventh largest drug chain in sales with $1.4 billion. It is now eleventh largest with $1 billion. With 1,050 stores, it will move from the sixth to the fifth spot in store count.

Parties maintained a tight lid on details of the buyout, and HSI has yet to reveal how it

See **HSI,** *page 129*

Chain drug share of sales keeps rising



Source: A.C. Nielsen Co.

Drug chains are more dominant than ever today. For more details, see 1988 Annual Report of the Chain Drug Industry, starting on P. 41.

LATE NEWS

- MINNEAPOLIS — Thrifty Drug Stores and its subsidiary, White Drug Enterprises, are consolidating purchasing, advertising, and operations at corporate offices here under the name Thrifty • White Drug Stores. The 58-store chain, which operates in five Midwestern states, reported net sales for fiscal year '87 (ended April 25, 1987) of $90.2 million. Net sales for the first 10 months of fiscal year '88 were $79.2 million, a 5.6-percent increase over the same period last year.
- LANDOVER, Md. — Dart Drug Stores said March 30 is the starting date when preferred and common stock holders can buy, for $34.56 each, units of stock and performance options which are being sold to raise working capital.
- SAN DIEGO — Lucky Stores opened its new Advantage combo here April 5. The 60,000-square-foot layout includes a pharmacy, H&BAs, a cosmetician, and numerous gourmet food specialties.

NACDS' '88 Annual Meeting eyes how people make the difference

ALEXANDRIA, Va. — Will the employee management techniques drug chains use today work in the future?

Drug industry representatives will grapple with that question and others relating to the work force at the NACDS annual meeting April 17–20 at the Breakers Hotel, Palm Beach, Fla.

This year's meeting—with the theme "Our People Make the Difference"—focuses on "the lifeblood of our business," said Bill Welsh, NACDS's executive vp.

"The same societal changes that will affect consumer buying habits in the future will also have a major impact on employees' attitudes and management," said Welsh, adding that the conference will feature a range of experts who will describe the worker of the future, and offer insights into new emerging management techniques.

Lester Thurow, the MIT economist, will discuss people

Continued on page 14

For a schedule of events at this year's NACDS Annual Meeting, see p. 14.

NEWS IN BRIEF

Rudden named vp-merchandising at Dart

LANDOVER, Md. — Jon Rudden, most recently vp-marketing at the Rea and Derick division of Peoples, has been named vp-merchandising at Dart Drug Stores.

Rudden joins a line of former Peoples executives who have followed Sheldon "Bud" Fantle to Dart, after Fantle bought an interest in the chain and became chairman last year.

Rudden will report to Louis Schechter, senior vp-marketing, and also formerly of Peoples. Fred Edwards was named Dart's senior executive vp earlier this year after leaving Peoples.

Rudden was part of a Northumberland, Pa.-based management team that oversaw 90 Rea and Derick units.

Klawitter retires early from NACDS post

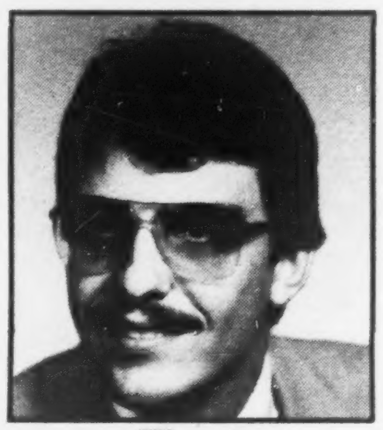
ALEXANDRIA, Va. — Harold J. Klawitter has taken early retirement from his post as vp-pharmacy affairs of the National Association of Chain Drug Stores, and Bruce Briggs has been named to head the pharmacy affairs department.

Klawitter, in his early 60s, led NACDS' team of professional relations specialists for about 4½ years. His departure is the latest of several changes in top and middle management at NACDS since the retirement of Bob Bolger and the appointment of Ron Ziegler as president of the association.

Briggs, who has been with NACDS for five years, was pharmacy affairs director before his promotion.

In announcing Klawitter's departure, Ziegler expressed appreciation of the pharmacist's contribution to NACDS.

Fay's names Wuest vp-merchandising



Wuest

LIVERPOOL, N. Y. — James Wuest, Fay's former merchandise manager, has been elected vp-merchandise at Fay's. He will report to Larry Rose, president.

Wuest, a 1973 graduate of Syracuse University, joined Fay's in 1976 as a management trainee. He has held the posts of assistant store manager, store manager, assistant buyer, and buyer.

"Mr. Wuest's promotion will strengthen our marketing efforts as we plan for future growth. His broad range of experience within the Fay's organization provides him with the expertise necessary to fill the vital position to which he has been elected," Rose said.

Glasser named vp of McKesson division

BROOKLYN, N. Y. — Harvey Glasser has been named vp-marketing for S-P Drug, the New York division of McKesson Drug Co.

He will report to Howard Smith, regional vp. Glasser for the past four years had been the Southern regional sales manager for the Valu-Rite pharmacies served by McKesson in Memphis.

Peter Green, a former Valu-Rite field sales manager, succeeds Glasser as Southern regional sales manager for Valu-Rite.

INDEX

Annual Report 41
Beauty Beat 30
Category in Motion . . 34
Cohen's Capsules . . 121
Financial 130
Gladson: Manager Training 130
In the Market 6
People in the News . . 23
Pharmacy 121
Product Updates 38
Trends: Skin Care . . . 29
Washington Perspective 23

Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus an extra Annual Pharmacists Guide to Rx/OTC Patient Counseling in October, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: Infield subscribers, retailers and wholesalers, one year $19.50; two years $35. Out-of-field subscribers, manufacturers, schools, libraries and all others, one year $39. Single copy rate $2. Foreign subscriptions: Airmail only $125 per year.
Second-class postage paid at New York, N.Y. and additional mailing offices.

Copyright © 1988 by Lebhar-Friedman Inc. All rights reserved.

POSTMASTER: Please send address changes to Subscription Dept., Drug Store News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks notice to Subscription Dept., 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.
Vol. 10, No. 8 April 11, 1988

Arbor puts new DC on line, lays groundwork for growth

NOVI, Mich. — Arbor Drug Stores has nearly completed a transfer of warehousing operations to a newly constructed, automated facility, vastly upgrading its distribution capacity and laying the groundwork for a doubling in store count.

At 234,000 square feet, the new center offers Arbor five times the storage capacity of its older warehouse. The new facility includes automated sortation devices, tri-level picking and rack systems, and a total of 22 receiving and outgoing trucking bays.

"With this we can handle the future," said Arbor president and chief operations officer Markus (Max) Ernst during a tour of the new facility. "We can easily handle 150 stores with this warehouse, and we have the capacity to double the existing space later."

Arbor began shipping merchandise out of the new center early this year, and is near full utilization. The center will allow the chain to boost its ratio of centrally controlled inventory from about 65 percent to 75 or 80 percent, "resulting in significant cost savings and improved service in restocking our stores," according to a company report.

The center allows five times more storage space.

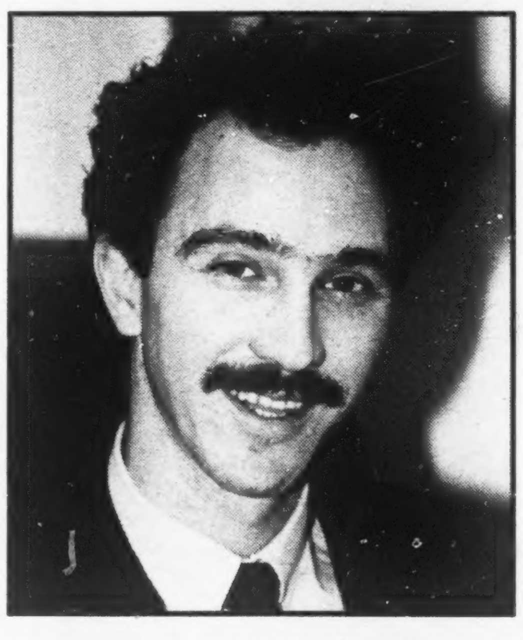
Spielfogel new Austin president

EAST MEADOW, N. Y. — Gary P. Spielfogel has been appointed president of nine-store Austin Drugs, replacing Gary Lefferts.

Lefferts, who ran the Long Island chain for 15 years, is leaving to pursue other interests.

Spielfogel joined Austin last September as executive vice president. He previously worked in international purchasing and marketing for Interstate Cigar.

Since joining Austin, Spielfogel has reorganized key staff, beefed up merchandiser support, increased pharmacy staff, and initiated a plan to refixture and remodel Austin's full-service cosmetics and fragrance departments.



Gary P. Spielfogel

Spielfogel said his plans include store openings, expanded service features and new departments and programs.

"Retailing is a people business," Spielfogel said. "I am privileged to head an operation that prides itself in its goal to seek the best possible relationship with its personnel, customers and suppliers."

Austin opened its first store in Huntington, Long Island, in 1972. Its first-quarter '88 sales increased approximately 11 percent, to an estimated $9.5 million, compared with $8.6 million in the comparable period last year.

Sixty years of drug store retailing

The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

WASHINGTON, D.C., 1928 — The so-called "drug store ownership law" passed in Pennsylvania in 1927 has been declared unconstitutional by the United States Supreme Court. This law, which was formed to check the growth of drug chains, although its object is not directly revealed in the law itself, provided in effect that no one but a licensed pharmacist legally own a drug store. In the case of a partnership or corporation, it required each partner and each stockholder to be a licensed pharmacist.

50 years ago

OAKLAND, Calif., 1938 — Modern drugs were compared with those used by the ancients in an effective educational window at the Owl Drug Store, 19th and Broadway, Oakland, Calif. Wherever possible, the old was contrasted with the new. For instance, insulin was shown side-by-side with viper's tongues—the old method of treating diabetes.

40 years ago

PORTLAND, Ore., 1948 — Prescription checks used by Fred Meyer, Inc., Portland, Ore., employ copy designed to sell the patient on the company's prescription service while he is waiting. The words "YOUR PRESCRIPTION" appear in reverse plate capital letters at the head of the numbered check form given to the customer. Copy continues "is being prepared carefully and accurately with as much haste as caution will permit BY EXPERIENCED REGISTERED PHARMACISTS." The prescription check uses a scroll-like border.

30 years ago

GARDEN GROVE, Calif., 1958 — The new Garden Grove, Calif., Sav-on unit, 20th in the self-service chain, is the first to dispense with display windows. Outside of glass entrance doors, the 11-foot wall to the left of the entrance contains the only glass area: four foot panels designed to protect interior lighting to shoppers. Chain heads felt outside displays were unneccessary in this particular shopping center location.

20 years ago

CHICAGO, Ill., 1968 — Smiles all around are indeed in order as Walgreen president A.A. Borg and board chairman C.R. Walgreen Jr. receive a mortar and pestle trophy from Dennis Fill, president of E.R. Squibb, commemorating the filling of the chain's 200 millionth prescription. It took the Chicago-based chain 67 years to reach this milestone since its founding in 1901: but the real measure of the chain's recent growth in the prescription area is the fact that the 100 million mark was passed only six years ago.

10 years ago

SEATTLE, Wash., 1978 — The Pay 'n Save Corporation and the Rainier National Bank will be the first participants in a new credit card program aimed at major retailers.

The names of all chains owned by Pay 'n Save will appear on the VISA side of the new credit card. The other side of the card will resemble the Pay 'n Save credit card the corporation's customers now carry.

Service smooths franchised skin care sales

Serviced depts. get superior results; manufacturer promotional support sought

The drug store merchandisers having the best success with franchised skin treatment lines are the ones with service clerks catering to customers in the department, *Drug Store News* has been told.

Overall, chain merchandisers report that franchised skin treatment lines like Almay, Moondrops, Revlon European Collagen, and Overnight Success are doing "fair to well" in their stores this year.

Self-service chains like SupeRx and Revco report the slowest growth in the category. Most buyers and merchandisers for self-service drug stores say it has always been harder for them to sell the franchised skin treatment lines because many customers need to be serviced before they feel comfortable making a purchase.

Chains like Begley and Perry Drug, which have cosmetics service clerks in their stores overseeing skin treatments, report stronger success with the franchised lines.

Skin care market share trends by retail segments

Retail segment	1967	1986
Drug stores	48.4%	49.4%
Food stores	31.2	31.3
Mass merchandisers	20.4	19.3

Source: Nielsen Marketing Research

SupeRx

Like most drug chains, SupeRx stocks its franchised skin treatments in family sets within the cosmetics department, and not with the more basic skin care lines in toiletries. For example, Almay treatments are merchandised with Almay cosmetics, Revlon treatments with Revlon cosmetics, and so on.

But SupeRx also has a small three-foot section in cosmetics for "other" treatment products, such as the Lournay line, some Coty face powders, and the like.

"I can't think of any good reason to change that," says Dave Wesloh, merchandise manager for cosmetics and H&BA products. "Shoppers expect to find Olay and Vaseline Intensive Care lotion and Noxzema in with the mass brands, and they expect to find Almay, Moon Drops, Overnight Success and Max Factor in with the cosmetics brands."

In terms of growth, Wesloh says the franchised treatment brands haven't been doing anything "fantastic," but adds, "I don't expect them to be all that exceptional in our stores. I don't think you can sell treatment very strongly in self-service drug stores; it has to be presold by the manufacturer.

"Almay is our best seller, and I don't think anyone does as good a job selling treatment products as Almay. They sell their line as a regimen, and shoppers buy that way.

"I'd say Revlon is our second best-selling treatment line, with the Collagen products and Moon Drops, but they don't advertise in a way that educates the consumer as Almay does."

SupeRx will bring Colgate's new Lournay line of franchised treatments into its stores this quarter, and Wesloh thinks it will do well in their markets.

Begley Drug

In the Begley Drug franchised skin treatment category, cosmetics buyer Billie Carpenter reports that sales have been very strong, partly because Begley recently changed from a generic to a family set, and partly because of the cosmeticians who service Begley's customers.

"All the lines have been showing good growth: Revlon's treatments, especially Moon Drops and the Anti-Aging lotion; Coty with Overnight Success; Almay with its treatment lines; and Max Factor," Carpenter said.

Until June of last year, Begley displayed its treatment lines in a generic set. Approximately eight feet were involved, and all the skin treatment products were together in one set, as were the nail products and the lipsticks.

In July Begley instituted its new family format, where the Revlon treatments are merchandised in the Revlon family of products, and Almay treatments are with Almay cosmetics.

"I think the move to a family format may have slightly increased the amount of in-store space we give franchised treatments. But the most important thing it did was that it made the whole category more visible and more accessible to customers, and it helped us get incremental sales," Carpenter said.

Last year Begley put its promotional push behind color cosmetics, and Carpenter says the promotions worked so well that she thinks it would be hard to generate similar incremental sales this year.

As a result, Begley is going to concentrate on promotionally building sales of all its skin treatment lines, and Almay's overall sales in particular.

Carpenter thinks 1988 will be a good year for eye creams in general, and she also expects to do very well with the Almay launch of its stress cream and gel.

The anti-aging category is also doing well in Begley stores, partly because of the success of Revlon's anti-aging moisturizing cream. "We did a lot of sampling in our stores with the anti-aging moisturizer, and that helped because our cosmeticians now know more about the brand and can recommend it. It's selling well and we're getting a lot of repeat sales. We're also doing more makeovers in our stores, and that's helping treatment sales."

Perry Drugs

Steve Lund, Perry's vp of merchandising for cosmetics and toiletries, thinks there could be much stronger growth in franchised treatment sales if the manufacturers would do more to make people aware of the need for their products.

"Clinique and Almay have done a good job educating people to using a regimen of products, but Revlon hasn't really concentrated on advertising Moon Drops as a regimen; they talk more about individual products.

"Almay has been much better at educating the consumers in their ads, and they're number one in growth with us and doing very well."

Lund says he thinks the Moon Drops line and Revlon's Collagen brands will do better in 1988 because Revlon plans to put more advertising behind them.

In 1988, Perry will also conduct its first regular schedule of in-store demonstrations of treatment products with Almay. "We've done it on a select basis before," says Lund, "and it's worked out so well we think it's worth a regular program."

Lund says Perry will also do in-store makeup demonstrations with Almay in its higher-volume cosmetics stores, and Perry may also participate in a similar program with Revlon and L'Oréal.

As women mature, they upgrade and diversify their skin care product purchases to maintain a healthy glow on all body areas.

Austin Drug

Austin Drug in East Meadow, N. Y., has an ideal environment for selling franchised lines. Its stores are carpeted, its cosmetics counters have the ambiance of a boutique, its mix includes department store lines like Lancome and Elizabeth Arden, and its cosmeticians are trained to provide service.

Almay does very well in the Austin stores, buyer Marlene Isaacson says, and so does Revlon, but Austin's customers also buy a lot of Lancome, Ultima, Christian Dior, Ultima 2, and Borghese.

"Skin treatments and liquid makeups are things you have to show a customer," says Isaacson. "In our stores, franchised skin treatment is a very big category for us and we see a lot of growth there. On the other hand, we don't do that much with the mass treatment lines like Olay or Jergens.

Isaacson believes that the skin treatment category will continue to perform well in drug stores in coming months.

Austin advertises its franchised skin treatments about once a month, structuring its ads around "what's available."

In January, one of the peak months for skin treatment sales, Austin may not advertise any treatment lines, but its stores always build what Isaacson describes as "big displays" for the most popular treatment brands.

Isaacson also expects strong growth from the eye cream segment of skin treatments. "Women today are using more eye creams than they were a year ago," she says, "but there are still not that many women using eye creams, so as the manufacturers advertise them more, they are going to become more popular."

A regional viewpoint

One of the industry's major regional chains reports that treatment sales are up "a little over last year," which its franchised treatment buyer interprets "as a good sign because the economy is so bad."

Franchised treatments in this chain are merchandised in the cosmetics department in family sets.

This chain has not changed its merchandising of treatment products in a long time, basically because the buyer sees no need to aggressively emphasize treatments in this market.

"Only a small segment of the market uses treatments," the buyer says, "and that segment doesn't seem to be growing. Manufacturers need to do more to educate customers.

"Treatment manufacturers really have to presell their customers. Just running a coupon in one of our books or in an ad doesn't do much. The manufacturers have to convince the customers before they get to our stores that they want a treatment product and they want it to achieve some specific effect. When that happens on a broader scale, you'll see more growth in this category."

Skin care retail sales in mass-market stores

Retail segment	Dollar sales (millions)	% change (8/87 vs 8/86)
Drug stores	$ 782.0	4.8%
Food stores	504.4	6.9
Mass merchandisers	330.5	13.6
Total	1,616.9	7.2

Source: Nielsen Marketing Research